▪ *ACCOUNTABILITY REPORTS* ▪ Organizational Assessments ▪
▪ *MALCOLM BALDRIGE NATIONAL QUALITY AWARD* ▪
▪ **Organizational Effectiveness** ▪ *Process Improvements* ▪

PERFORMANCE

EXCELLENCE

A GLOSSARY OF TERMS

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Foreword

It is with great pleasure that the South Carolina Governor's Office, South Carolina Quality Forum and the South Carolina State Government Improvement Network bring this document to you. In partnership, these three organizations collaborated to develop a comprehensive glossary that will foster the use of a common language within state government, other organizations involved in continuous improvement and those using the Malcolm Baldrige National Quality Award criteria to achieve organizational performance excellence.

As state government agencies go through the Annual Accountability Report process, prepare Accountability Reports based on the Baldrige Criteria and conduct Baldrige based organizational self-assessments, this document can provide assistance with those terms commonly found in the criteria. The use of a common language will aid in the standardization of Accountability Reports across agency lines. Other organizations interested in knowing more about the terms used in the Baldrige Criteria will also find this document helpful.

For more information about the South Carolina Quality Forum, please see the www.scquality.org web site. For the South Carolina State Government Improvement Network's web site, please visit www.scsgin.org.

Please submit any suggestions for changes to this glossary to scsgin@scsgin.org.

Abnormal Variation: Changes in process performance that cannot be accounted for by typical day-to-day variation. Also referred to as non-random variation.

Acceptable Quality Level (AQL): The minimum number of parts that must comply with quality standards, usually stated as a percentage.

Accountability: An implied or explicit requirement to accept responsibility for performance, progress, accomplishment, effectiveness or success of a program, activity or project in terms of results achieved.

Action Plans: The principal organization-level drivers, derived from short-term and long-term strategic planning. Action plans are set to accomplish those things the organization must do well for its strategy to succeed.

Activity: The tasks performed to change inputs into outputs. Also known as process.

Adaptable: An adaptable process is designed to maintain effectiveness and efficiency as requirements change. The process is deemed adaptable when there is agreement among suppliers, owners and customers that the process will meet requirements throughout the strategic period.

Alignment: A consistency of plans, processes, actions, information, urgency, and decisions among organizational units in support of key organization wide goals. Effective alignment, from an organizational point of view, requires a common understanding of purposes and goals. It requires the use of complementary measures and information to enable planning, tracking, analysis, and improvement at three levels: (1) the organization level (2) the key process level and (3) the work unit level.

Analysis: Analysis refers to assessments performed by an organization or its work units to provide a basis for effective decisions. Overall organizational analysis guides process management toward achieving key business results and toward attaining strategic objectives. Despite their importance, individual facts and data do not usually provide an effective basis for actions or setting priorities. Actions depend upon understanding cause/effect relationships. Understanding such relationships comes from analysis of facts and data.

Anecdotal Information: Relating to a story or anecdote rather than a systematic basis.

Application Report: A written description of an organization's quality system in the format required by the Malcolm Baldrige National Quality Award, the President's Quality Award or any of the other similar criteria formats.

Appraisal Cost: The cost incurred to determine defects.

Approach: Approach refers to how an organization addresses the Baldrige Criteria Item requirements—the methods and processes used by the organization.
Approaches are evaluated on the basis of the appropriateness of the approach to the Item requirements; effectiveness of use of the approach; and alignment with organizational needs.

Area to Address: A subdivision of an Item of the Baldrige Criteria that pinpoints the type and amount of information to be provided. Also see *Category* and *Item.*

Balanced Measures: Measures which strike a balance between internal measures (measures of people interacting with processes) and outside measures (measures of success in customer service effectiveness, efficiency and accountability).

Balanced Performance: A measurement system which balances an organization's attention among competing forces. The most common "balance" in measurements is between customers, employees, and operational/financial matters. The logic of a balanced performance system is that it is easy to manage any one of a number of competing forces, harder to manage two and difficult but necessary to manage or balance all three.

Baldrige Award: The Malcolm Baldrige National Quality Award is a highly competitive, prestigious yearly award given to organizations that have demonstrated excellence in meeting the requirements of the rigorous award criteria administered by the U.S. Department of Commerce, National Institute of Standards and Technology (NIST).

Baseline: Base level of previous or current performance that can be used to set improvement goals and provide basis for assessing future progress.

Benchmarking: The process of systematically comparing and measuring an organization's products, services and processes against those of other organizations in an effort to discover best or superior practices or to become aware of the highest levels of performance. Benchmarking encourages use of comparison information to improve your own organization and compares the organization against the "best in the business" or those recognized as leaders in the field.

Best in Class: Measured and acknowledged best performance in a particular industry, group of competitors, product, service, process, or business result.

Best Practice: The best working example anyone can show for doing a job, process or procedure. Best practice arises from benchmarking examples inside or outside an organization.

Business Objectives: Specific objectives that, if achieved, will ensure that the operating objectives of the organization are in alignment with the vision, values, and strategic direction. They are generally high-level.

Business Process: Organization of people, equipment, energy procedures, and material into measurable, value-added activities needed to produce a specified end result.

Business Process Analysis (BPA): Review and documentation (mapping) of a key business process to understand how it currently functions and to establish measures.

Category: A principal division of the Criteria that represents a major quality system function, such as strategic quality planning. Also see *Area to Address* and *Item*.

Champion: A manager who oversees specific quality improvement projects and assists them in obtaining proper resources and buy-in. Same as *Sponsor*.

Collaborative: Two or more people or entities — teams, organizations, partners, business units, etc. — working together for a beneficial common purpose.

Common Causes: Causes of variation that are inherent in a process over time. They affect every outcome of the process and everyone working the process. A process that has only common causes of variation is said to be in statistical control.

Comparative Information: Information about the processes, products or services of other organizations that can help provide understanding of the competitiveness or ranking of a particular organization. Comparative information is often used to establish the range of performance being experienced across a particular industry or group of organizations, and to establish the relative position of the organization in question. Comparisons can be made to competitors, similar companies, or any reasonable "panel" of organizations.

Comparisons – Benchmarking and Competitive Comparisons: Benchmarking is the process of systematically comparing and measuring products, services and processes against "best practices," "best-in-class" achievements and performance of similar activities, inside or outside government. At its essence, benchmarking involves systematically looking at proven ways to provide better customer service and adapting these ways to an organization's operations. It turns the "not-invented-here" philosophy on its head, by focusing on the best practices of other organizations.

Competitive Comparisons refer to examining an organization's current processes against effective and efficient processes of other organizations which are competitors in the organization's markets or with similar missions or functions within or outside the government. Competitive Comparisons often are less systematic and rigorous than Benchmarking and without detailed exploration of the differences in underlying methods.

Compensation and Recognition: All aspects of pay and reward, including promotions, bonuses, etc., that are based on performance, skills acquired, and other factors. These concepts include monetary and non-monetary, formal and informal, and individual and group compensation and recognition.

Competitive: A process is considered to be competitive when its overall performance is judged to be as good as that of comparable processes. Competitiveness is based on a set of performance characteristics (defects, costs, inventory turnaround, etc.) that are monitored and tracked against comparable processes within the corporation, the industry, and/or the general business community.

Competitive Advantage: A marketplace advantage that an organization achieves by providing differentiated or lower cost products and services than those of its competitors.

Competitive Benchmarking: Comparing and rating the practices, processes and products of a organization against the world best, best-in-class or the competition. Comparisons are not confined to the same industry.

Complaint Tracking: Detailing when complaints come in, what is done about them and when they are closed.

Conformance: Affirmative indication or judgment that a product or service has met specified requirements, contracts or regulations. The state of meeting the requirements.

Continuous Improvement: Sometimes called Constancy of Purpose, this is a principle used by W. Edwards Deming to examine improvement of product and service. It involves searching unceasingly for ever-higher levels of quality by isolating sources of defects. It is called *Kaizen* in Japan, where the goal is zero defects. Quality management and improvement is a never-ending activity.

Control: The state of stability, or normal variation and predictability. It is the process of regulating and guiding operations and processes using quantitative data. Control mechanisms are also used to detect and avoid potential adverse effects of change.

Control Chart: A picture of a process showing the boundaries for normal variation. These boundaries are called the upper and lower control limits and are calculated based on the values of a statistical measure for a series of samples or subgroups. A center or average line is shown also to help detect a trend of plotted values toward either control limit. It is used to analyze process variation to see whether the process is in statistical control.

Core function: A set of related activities designed to produce a particular outcome. Core functions meet the important needs of the organization's external and/or internal customers.

Correlation: The establishment of a relationship (usually mathematical) between events, results, or sets of data. Most often used to describe the results achieved as a result of operating or changing a particular process.

Corrective Action: The implementation of effective solutions that result in the elimination of identified product, service and process problems.

Cost-of-Quality: The sum of prevention, appraisal and failure costs, usually expressed as a percentage of total cost or revenue.

Creativity: The ability to think of and implement meaningful new ideas, forms and interpretations.

Critical Success Factors (CSFs): Areas in which results, if satisfactory, will ensure successful business performance. They ensure that the company will meet its business objectives. CSFs are focused, fluctuate, and are conducive to short-term plans.

Cross-Functional: A term used to describe individuals from different business units or functions who are part of a team to solve problems, plan, and develop solutions for process-related actions affecting the organization as a system.

Cross-Functional Focus: The effort to define the flow of work products in a business process as determined by their sequence of activities, rather than by functional or organizational boundaries.

Cross-Functional Process: A process extending across organizational boundaries and involving work groups and people who do not work for the same supervisors or managers.

Culture: A system of values, beliefs, and behaviors inherent in an organization.

Customer: The recipient or beneficiary of the outputs of work efforts or the purchaser of products and services. May be either internal or external to the company.

Customers (external): Individuals and organizations outside of your organization who need the output of your work.

Customers (internal): Individuals and organizations within your organization who need the output of your work to accomplish their work.

Customer Chain: A chain of customers is formed when a product, or a service, passes sequentially through one or more customers to get to the ultimate end user. For example, a pharmaceutical product may move, in succession, from its manufacturer to a distributor, to a hospital, to a doctor, to a nurse, and finally, to a patient. Every customer in the chain has requirements of some kind.

Customer-Contact Personnel: Employees who are in direct contact with customers.

Customer Expectations: Customers' perceptions and unstated requirements of what they will receive from a product or service. Customers form expectations by analyzing available information, which may include experience, word-of-mouth communications, and advertising and sales promises. (While a customer may have a *stated requirement* for the delivery of something in 10 days, he or she might have an *unstated expectation* to be notified that delivery would be late if that occurs.)

Customer Groups: Aggregations of individual customers who have the same or similar interest in specific products or services of an organization. Customer groups can be based on age, gender, geography, taste, preference, interest, or any other factor or element which results in their mutual interest.

Customer-Related Performance: Performance relative to measures and indicators of customers' perceptions, reactions, and behaviors. Examples include customer retention, complaints, and customer survey results. Customer-related performance generally relates to the organization as a whole.

Customer Requirements: A stated or written list of things or conditions imposed or required by a customer for the acceptance and use of a product, service, or process. Requirements are, ultimately, those parameters to which a product, service, or process should be measured in order to evaluate effectiveness or efficiency.

Customer Satisfaction: The degree to which a customer's experience with a product or service meets his or her expectations.

Customer Value: A term that relates the customer's perception of the services relative to the competition and price paid for these services.

Cycle Time: The total elapsed time that it takes a process to go through one complete cycle of operation. Can also be viewed as the time it takes for a product to be designed, or manufactured, or delivered; or the amount of time necessary for a service to be performed.

Data: A series of observations, measurements, or facts. Data is the first step in the sequence of data ➔ information ➔ knowledge.

Data Analysis: The evaluation and presentation of numeric data using accepted mathematical and statistical procedures to derive and display information.

Data, Attribute: Data associated with (or attributed to) a given quality. Usually refers to counting some attribute out of a given population; such as the number of red cars in a population of all cars, the number of defects in a batch of products, and so on. Attribute data is usually expressed as an integer, a percentage, or a ratio.

Data, Variable: Data associated with a measurement that can vary across a given range of a particular population, such as the average height of all six year old children in a given school, or the temperature on a given day, etc. Variable data is usually expressed as a continuous measurement like 51.7 inches or 72 degrees, and can be a range, a mean, or a median.

Defect or Error: Some aspect of a particular unit of product, service, or other output that does not conform to predetermined standards or requirements.

Delighting the Customer: Far exceeding a customer's requirements and expectations in ways that please the customer.

Deployment: Deployment refers to the extent to which an organization's approach is applied to the requirements of a Baldrige criteria item. It includes the extent to which a quality approach is applied to all relevant areas, such as markets, customer groups, product lines, processes, organizations or employees. Deployment is evaluated on the basis of the breadth and depth of the application of the approach throughout the organization. Consistency is one of the keys.

Direction: With regard to leading people, providing direction means to set a general course of action for the organization and its individual members to follow, and to provide an overall sense of what must be accomplished. In practical terms, leaders provide direction by articulating statements of mission, vision, values, goals, policies, promises, and so on. Goals and objectives which reflect a high-level intent can also be directional.

Diversity: Organizational demographics which are viewed in terms of differences in race, gender, age, disabilities, education, and points of view.

Effective: Producing the intended or desired result; conforming to customer requirements. Doing the right thing, or accomplishing the entire mission.

Efficiency: A measure of performance that compares output production with cost or resource utilization (as in number of units per employee per hour or per dollar).

Efficiency Measures: A type of performance measure that reflects the cost of providing a good or service. Cost can be expressed as a ratio of outputs to inputs. Also known as productivity measures.

Efficient: An efficient process produces the required output at the lowest possible (minimum) cost. That is, the process avoids waste or loss of resources in producing the required output. Process efficiency is measured by the ratio of required output to the cost of producing that output. This cost is expressed in units of applied resource (dollars, hours, energy, etc.)

Employee Group or Category: The classification of employees by group, such as managerial, professional, hourly, bargaining unit, non-bargaining unit, etc.

Employee Involvement: A practice within an organization whereby employees regularly participate in making decisions on how their work areas operate, including making suggestions for improvement, planning, goal setting, and monitoring performance.

Employee Well-Being and Morale: Maintenance of work environment conducive to well-being and growth of all employees. Factors include health, safety, satisfaction, work environment, training and special services such as counseling assistance, recreation, etc.

Employees: The permanent, temporary, part-time, and contract workers hired or supervised by the organization.

Empowered Teams: Teams that have been given the resources and the leeway, within certain prescribed boundaries, to determine how they can best accomplish their goals. They have both the authority and the responsibility to act, within the prescribed boundaries.

Empowerment: Refers to giving employees the authority and responsibility to make decisions and take actions. Empowerment results in decisions being made closest to the "front line" where work-related knowledge and understanding reside. Empowerment is aimed at enabling employees to satisfy customers on first contact, to improve processes and increase productivity, and to better the organization's business results. Empowered employees require information to make appropriate decisions; thus, an organizational requirement is to provide that information in a timely and useful way.

Environmental Protection: The approaches and processes used by the organization to ensure compliance with regulatory requirements relating to the environment.

Ergonomics: The study of employees and their physical work environment. Typically includes furniture, noise, temperature, space, motion, etc.

Ethics: A code of moral judgment that governs the actions of individuals and organizations. In a business environment, ethics are closely related to the values or principles held by the organization. Many companies have specific ethics policies and/or a code of ethical conduct.

Evaluation: The systematic review of the mission, goals, objectives, action plans, performance measures and operations of an organization or program.

Facilitator: Responsible for guiding the team through analysis of the process. Also concerned with how well the team works together.

Failure Cost: Cost resulting from occurrence of defects (such as scrap, rework/redo, replacement, etc.)

Features (of Products and/or Services): Features are all the important characteristics of products and services, including how they perform throughout their full life cycle or the full consumption chain.

Feedback Loop: As it applies to a process or system, a feedback loop samples the output so that the process or system can adjust or correct its operation back to normal. A feedback loop can also collect information which can be used for process or system improvements.

Financial and Marketplace Performance: Performance using measures of cost and revenue. Financial measures are generally tracked throughout the organization and also are aggregated to give organization-level, composite measures of performance. For mission-driven or government organizations, financial performance refers to performance using measures of cost and revenue, including asset utilization, asset growth, value added per employee, cost savings, and cost avoidances.

Findings: Conclusions reached after the review of data, information and analyses.

Flow Chart: A graphical or visual representation of a process. Flow charts lead to understanding of processes which in turn leads to improvements.

Functional Organization: An organization responsible for one of the major corporate business functions such as administration and field services.

Gap Analysis: The process of determining the differences between a current state and a desired future state.

Goals: Non-quantitative endpoints or conditions toward which management directs its efforts and available resources. Goals help an organization begin to close the gap between where it is, as described in its mission, and where it would like to be, as described in its vision.

High Performance Work: Work approaches used to *systematically* pursue ever higher levels of overall organization and human performance, including quality, productivity, and time performance. Approaches to high performance work vary in form, function, and incentive systems, but may include: cooperation between management and the work force; including cooperation among work units, often involving teams; self-directed responsibility (sometimes called empowerment); employee input to planning; individual and organizational skill building and learning; learning from other organizations; flexibility in job design and work assignment; organizational structures with minimum layers ("flattened"), where decision making is decentralized and decisions are made closest to the "front line;" and effective use of performance measures, including comparisons.

Human Resource Management: Development of plans and practices that realize the full potential of the workforce to pursue the quality and performance objectives of the organization. Includes (1) education and training (2) recruitment (3) involvement (4) empowerment and (5) recognition.

Human Resource Plans: Contain a set of developmental activities to be accomplished in an orderly fashion for the purpose of increasing an individual's value to the organization. Such plans generally address an individualized training curriculum, advancement criteria, compensation criteria and possible sequenced changes in responsibilities in support of the agencies' strategic plan.

In-control Process: A process in which the statistical measure being evaluated is in a state of statistical control or the variations among the observed sampling results can be attributed to a constant system of chance causes.

Indicator: Similar to a measurement, but not a direct or exclusive measure of performance in some area. For example, the number of complaints received by an organization is an *indicator* of dissatisfaction, even though it does not measure dissatisfaction directly or exclusively. See *Indicators* and *Measures*.

Indicators: Benchmarks, targets, standards or other measures used to evaluate how well quality values and programs are integrated.

Information: Intelligence gained from the analysis of data. Information is the middle step in the sequence of data ➔ information ➔ knowledge.

Information System: A database of information used for planning day-to-day management and control of quality. Types of data should include (1) customer related (2) internal operations (3) company performance and (4) cost and financial data.

Innovation: Something new — often inspired by an existing idea, product, service, process, etc. — that is intended to be more effective, efficient, or appreciated than the original item or idea.

Input Measure: A type of performance measure that identifies the amounts of resources needed to provide a particular product or service. Inputs include labor hours, materials and equipment. Inputs can also represent demand factors, such as target populations.

Inputs: Products or services obtained from others (suppliers) in order to perform job tasks or produce outputs. Material or information required to complete the activities necessary for a specified end result.

Institutionalize: In the practice of performance excellence or quality improvement, to institutionalize something means to make it a well established and structured pattern of behavior or a fundamental part of the culture of an organization. Institutionalize often means to establish a practice that was initially experimental, or happened by chance and produced a beneficial result, but now the organization wants to make it a permanent practice.

Integration: Establishing linkages between system components that are complimentary and compatible and need to work together to support overall process or organizational objectives.

Involvement: Active participation of members of an organization in developing and accomplishing stated objectives.

ISO 9000 Standards: A set of standards developed by the International Standards Organization (ISO) to evaluate and certify quality systems. These standards represent a consensus within the international quality community and are used worldwide.

Item: A Category subdivision of the Baldrige Criteria that focuses on a major topic area for the Category. Also see *Area to Address* and *Category.*

Job Design: The process of assigning tasks, responsibility, authority, and accountability to individual employees or types of employees.

Kaizen: A Japanese term for making improvements on a continual never-ending basis. "Kai" means change and "zen" means good.

Key: Those processes, products, customers, suppliers, etc., which are vital to the organization and to the accomplishment of its goals.

Key Business Drivers: Refers to those things the organization must do well to succeed. They provide a clear basis for consistent focus at the organization level, the key process level and the work unit level.

Key Business Process: A process designated by management as critical to customer satisfaction, competitive effectiveness, or the achievement of strategic goals. Key business processes are often cross-functional, spanning major functional organizations, and deliver the primary products or services of the organization.

Key Performance Measures: Measures that are used to evaluate the outputs of key business processes. They are numerical in nature and are usually presented as charts and graphs.

Key Processes: The most critical processes to customer satisfaction and the survival of the organization. Also known as Core Processes.

Key Process Measures: Measures that are used to evaluate the efficient operation of key business processes. They are numerical in nature and are usually presented as charts and graphs.

Key Quality Indicators: Those areas that customers have indicated are vital to their satisfaction.

Key Quality Objectives: Goals that pertain to key quality indicators.

Knowledge: A high order source of competitive advantage, knowledge is information properly applied to products, services, policies, or processes, in such a way that they become more desirable, effective, and efficient. Knowledge is the third and final step in the sequence of data ➔ information ➔ knowledge.

Lagging Indicator: A measure or indicator which shows the final result of an action, well after the action has been completed. For example, profitability is a lagging indicator of sales and expenses.

Leadership: An essential part of a quality improvement effort. It is the first category of the Malcolm Baldrige National Quality Award Criteria. Organizational leaders must establish a vision, communicate that vision to those in the organization and provide the tools and knowledge necessary to accomplish the vision.

Leadership System: Refers to how leadership is exercised throughout the organization - the way key decisions are made, communicated and carried out at all levels. An effective leadership system creates clear values respecting the requirement of all stakeholders and sets high expectations for performance improvement. It encourages initiative and risk taking and minimizes reliance on chains of command that require long decision paths.

Leading Indicator: A measure or indicator which can be interpreted to reliably foretell or indicate a future event. Employee satisfaction, for example, is generally recognized as a leading indicator of customer satisfaction.

Lessons Learned: Gaining information about products, services, methods, policies, practices, and processes that is accumulated for the purpose of applying the knowledge to the future endeavors of the organization.

Linkages: Interactions among the processes or activities of an organization that provide a means of coordination for achieving common objectives.

Management by Fact: The commitment and capability to use data, information, and derived knowledge to understand what is happening and to act on that understanding to manage and improve the organization.

Management for Quality: The translation of customer focus and quality values into implementation plans for all levels of management and supervision.

Management Information: Financial and non-financial information which can be used to measure program performance.

Market Indicator: Measure of business performance in the marketplace, such as growth, profitability, competition, innovation, and others.

Market Segment: Clearly defined part of an overall market, usually segregated by common customer wants, needs, or requirements.

Measurable Outcomes: Specific results that determine on an organizational basis how well the critical success factors and business objectives are being achieved.

Measurement, External: Measurement of success outside of the organization.

Measurement, Internal: Measurement of people interacting with processes.

Measures and Indicators: Measures and indicators refer to numerical information that quantifies (measures) input, output and performance dimensions of processes, products, services and the overall organization (outcomes). Measures and indicators might be simple, derived from one measurement, or composite. The Baldrige Award Criteria do not make a rigid distinction between measures and indicators. However, some users of these terms, and portions of the Criteria use the term indicator: (1) when the measurement relates to performance rather than to inputs; (2) when the measurement relates to performance but is not a direct or exclusive measure of such performance (for example, the number of complaints is an indicator of dissatisfaction, but not a direct or exclusive measure of it); and (3) when a performance or measure is a predictor or "leading indicator" of some more significant performance (e.g., gain in customer satisfaction might be a leading indicator of increased demand).

Mentoring: Formal or informal approaches used by an organization to counsel and guide individuals or groups of employees.

Method: A planned way of doing something, usually descriptive of a particular theory, approach, or technique.

Mission: The purpose or reason for existing as an organization. The mission provides the focus for the organization and defines its scope of activity, usually expressed in the form of a statement.

Mission-Driven Organization: Any organization which gauges its success based on the degree to which it accomplishes its mission, rather than gauging its success on accomplishments in a commercial or quasi-commercial marketplace. Almost all government organizations are mission-driven organizations, as are many of the functional organizations which are part of commercial businesses.

Mission/Program Performance: Non-financial measures used to assess the organization's success in achieving its intended purposes, goals, and objectives. As with financial performance measures, they generally are tracked throughout the organization and are also aggregated to give organization-level, composite measures of performance.

Mission Statement: Describes the nature and concept of the organization's business. The mission establishes what the organization plans to do and for whom, plus the major philosophical premises under which it will operate.

Natural Work Group: A group or team of people who work together on a regular basis.

Objectives: Specific and measurable targets for accomplishment of a goal. Objectives are SMART – specific, measurable, aggressive yet attainable, results-oriented and time-bound.

Operating Plans: Specific, actionable plans which, if carried out successfully, ensure that critical success factors are met. This will lead to organizational business objectives being met. They are tied to the Critical Success Factors, are detailed, and contain measurements of success.

Operational Performance: Performance relative to effectiveness and efficiency measures and indicators. Examples include cycle time, productivity, waste reduction, and regulatory compliance. Operational performance might be measured at the work unit level, the key process level, and the organization level. Product and service quality refers to operational performance relative to measures and indicators of product and service requirements, derived from customer preference information. Examples include reliability, on-time delivery, defect levels, and service response time. Product and service quality performance generally relates to the organization as a whole.

Operational Plans: Short-term (1-2 year) blueprints of how the organization intends to accomplish specific performance goals.

Organization: A term often used in place of company, corporation, organization, department, division, business, unit, etc.

Organizational Design: The structure of an organization in terms of its functions, departments, units, processes, etc., along with the work or functions assigned to each.

Organizational Knowledge: Knowledge of job, company, industry, etc., which is held in common and shared among organizational members.

Out of Control: The condition of a process when the variations among the observed samples cannot be attributed to random causes.

Outcomes: A type of performance measurement that addresses the actual results achieved and the impact or benefit of a program. Outcomes are derived from the mission and goals.

Output: Products, services, or information generated by a process and provided to other processes or to customers.

Output Measure: A type of performance measure that reflects the amount of goods and services produced by a program.

Paradigm Shift: A fundamental change in the way one views the world.

Partners: Two or more parties who share a common interest and dedicate resources and energy to the attainment of a mutually beneficial goal.

Partnership (Customer-Supplier): A long-term relationship between an organization and a supplier characterized by teamwork and mutual confidence. The supplier is considered an extension of the buyer's organization.

Partnership (other than Customer-Supplier): A long-term relationship between two or more organizations characterized by teamwork and mutual confidence. Partnerships are almost always based on mutual benefit — a situation where all parties gain from the actions they take on a mutual basis. Partnerships of this nature could involve: an organization and the bargaining unit that represents its employees, two or more law enforcement units with closely aligned geographies or jurisdictions, a dozen commercial stores in the same shopping center, an airport and various transportation companies, and a host of others.

PDCA Cycle: The Plan-Do-Check-Act cycle is a four-step continuous process improvement model that teaches that organizations plan an action, do it, check to see how it conforms to plan and expectations, and act on what has been learned. This model is also known as the Shewhart or Deming cycle.

Performance: The results-oriented information obtained from processes, products, and services that permits evaluation and comparison relative to goals, standards, past results, and to other organizations. Performance might be expressed in non-financial and financial terms. Four types of performance are considered by the criteria: (1) operational, including product and service quality; (2) customer-related; (3) financial and marketplace; and (4) mission/program.

Performance Budgeting: A budget system that allocates resources to achieve measurable results.

Performance Excellence: An approach to managing performance that consistently and considerably exceeds the required norms, goals, or standards of performance.

Performance Expectations: Expectations are the levels of performance that leaders expect to see; the goals of a process or organization. Performance expectations can be set by leaders, teams, or the characteristics of a process, and can be arbitrary, challenging, or based on clearly achievable levels of performance.

Performance Goal: A target level of performance expressed as a tangible, measurable objective against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate.

Performance Measure: A measure which compares an organization's actual performance results to anticipated results, plans, or goals.

Performance Targets: Realistic estimates of the changes that programs can make.

Policy: A guide to management and employee action.

Prevention: Activities and practices aimed at anticipating and removing or avoiding sources of potential problems.

Preventive: Action taken in advance of an error, defect or mistake which is intended to prevent its occurrence.

Proactive: To prepare for, intervene in, or control an expected outcome. Taking action before being forced to do so. In management, "proactive" usually means the opposite of "reactive."

Procedure: A course of action which has been reduced to a written or graphic format so that it can be performed in the same way every time. Procedures can be established as written documents, flow charts or flow diagrams, checklists or any other format which is consistent and understood by those who must use the procedures.

Process: The organization of people, equipment, energy, procedures, and material into the work activities needed to produce a specified end result (work product). A sequence of repeatable activities characterized as having measurable inputs, value-added activities, and measurable outputs. It is a set of interrelated work activities characterized by a set of specific inputs and value-added tasks that produce a set of specific outputs.

Process Analysis: The systematic examination of a process model to establish a comprehensive understanding of the process itself. The intent of the examination should include consideration of simplification, elimination of unneeded or redundant elements, and improvement.

Process Capability: The normal behavior of a process when operating in a state of statistical control. Also, the predictable series of effects produced by a process when it is isolated from outside influences.

Process Effectiveness: The extent to which a process meets the needs and requirements of its customers, internal or external.

Process Efficiency: The extent to which a process makes good use of resources, money, and people, commonly measured in unit cost of outputs.

Process Elements: A process is comprised of activities and tasks. A process may also be referred to as a sub-process when it is subordinate to but part of a large process. A sub-process can also be defined as a group of activities within a process that comprise a definable component.

Process Improvement: Activities that introduce beneficial change at a process level. The activities may provide new sources of customer value or better response to changes in customers' needs or market conditions. Improvement covers incremental changes to the process as well as radical or breakthrough changes brought about through process reengineering.

Process Management: The disciplined management approach of applying prevention methodologies to the implementation, improvement and change of work processes to achieve effectiveness, efficiency and adaptability. Critical to the success of process management is the concept of cross-functional focus.

Process Map: A type of flowchart: the terms are often used interchangeably.

Process Measures: Internal or output measures of a process. Typical process measures are quality, time, cost, and customer satisfaction.

Process Model: A detailed representation of the process (graphic, textual, mathematical) as it currently exists.

Process Owner: Coordinates the various functions and work activities at all levels of a process, has the authority or ability to make changes in the process as required, and manages the process end-to-end so as to ensure optimal overall performance.

Process Review: An objective assessment of how well the methodology has been applied to the process. Emphasizes the potential for long-term process results rather than the actual results achieved.

Productivity: The measurement of efficient use of resources. Although the term is often applied to single factors such as staffing (labor productivity), machines, materials, energy, and capital, the productivity concept applies as well to the total resources used in producing outputs.

Program: A grouping of activities that results in the accomplishment of a clearly defined purpose.

Program Evaluation: The systematic examination of a specific program or activity to provide information on the full range of the program's short and long term effects. Its main focus is on measuring effectiveness (the degree to which a program is achieving its intended purpose and attaining its objectives) and whether it is having a positive or negative impact.

Program Ranking: Arraying programs in a relative position or degree of value. Programs are usually ranked in order of highest to lowest to the mission of the organization.

Program Results: Refers to <u>outcomes</u> in achieving the purposes given in the item addressed. The factors used to evaluate results include: a) current performance, b) benchmarks, c) rate breadth and importance of performance improvements, and d) sustained improvement and sustained high level performance.

Quality: The term denotes how well a product or service meets customer specifications and requirements whether stated or implied.

Quality Assessment: A process of identifying business practices, attitudes, and activities that are either enhancing or inhibiting the achievement of quality improvement within organization.

Quality Assessment System: The system of assessing the service delivery processes in order to improve that process at regular intervals.

Quality Assurance: An independent evaluation of quality-related performance.

Quality Control: A process that evaluates the actual performance against goals and that takes action based upon the difference.

Quality Council: Comprised of regional or division executives and their direct reports, and may include union and staff representation. The council oversees the quality effort within the organizations and ensures that quality strategies support the organization's strategic direction.

Quality Improvement Team: A group of people brought together to resolve a specific problem or issue identified by a business process analysis, individual employees, or the Quality Council. A group of individuals charged with the task of planning and implementing process quality control improvement. The three major roles in this task force are team leader, team facilitator and team member.

Quality Management: The management of a process to maximize customer satisfactions at the lowest overall cost to the organization.

Quality Management System: The collective plans, activities, and events established to ensure that a product, process, or service will satisfy given needs. The infrastructure supporting the operational process management and improvement methodology.

Quality Measures: A type of performance measure that represents effectiveness in meeting expectations of customers and stakeholders. Quality measures may reflect reliability, accuracy, courtesy, competence, responsiveness and completeness associated with a product or service.

Quality Strategy: An organizational "game plan" for quality that typically includes a vision statement, a mission statement, goals, and objectives. It should be integrated with an organization's overall business strategy.

Quality System: The organizational structure, procedures, processes, and resources needed to implement quality management.

Quality Tool: An instrument or technique that supports the activities of process quality management and improvement.

Random Sampling: A commonly used sampling technique in which sample units are selected in such a manner that all combinations of "n" units under consideration have an equal chance of being selected as the sample.

Reactive: The act of responding to an urgent influence or stimulus, such as reacting to an upset customer.

Requirements: A list of things or conditions required for the acceptance and use of a product, service, or process. Requirements can be imposed by those who will use and gain value from a product or service (customer requirements) or can be imposed internally on a process or system (process requirements) to ensure that it accomplishes what it must accomplish to be successful. Requirements are, ultimately, those parameters to which a product, service, or process should be measured in order to evaluate effectiveness or efficiency.

Resource Allocation: A decision to allocate resources, capital, and people to support specific operating plans, tied to the budget process.

Results: Results refer to outcomes achieved by an organization in addressing the purposes of a Baldrige Criteria Item. Results are evaluated on the basis of current performance; performance relative to appropriate comparisons; rate, breadth and importance of performance improvements; and relationship of results measures to key organizational performance requirements.

Results Measures: Quantitative data that reflects the performance of a process through the evaluation of a result.

Reviews: Periodic meetings, conferences or sessions where senior leaders absorb the analyses of organizational performance (which are often done by others), with the intent of re-directing the organization's resources.

Root Cause: Original reason for nonconformance within a process. When the root cause is removed or corrected, the nonconformance will be eliminated.

Self-Directed Activities: Work or tasks that are performed by individuals or groups, within defined boundaries, with limited supervision.

Self-Directed Teams: Teams that require little supervision. They manage themselves and the day-to-day work for which they are responsible. Self-directed teams are responsible for whole work processes with each individual performing multiple tasks.

Senior Leaders: An organization's senior management group or team. In many organizations, this consists of the head of the organization and his or her direct reports.

Senior Leadership System: How leadership is exercised, formally and informally, throughout the organization. It defines the basis for, and the way that key decisions are made, communicated, and carried out. It includes structures and mechanisms for decision making, selection, and development of leaders and managers, and for reinforcing values, practices, and behaviors. An effective senior leadership system creates clear values, respects the capabilities and requirements of employees and other organizational stakeholders, and sets high expectations for performance and performance improvement. It builds loyalties and teamwork based upon organizational values and the pursuit of shared purposes. It encourages and supports initiative and risk taking, and avoids chains of command that require long decision paths. An effective senior leadership system includes mechanisms for the leaders' self-examination, receipt of feedback, and improvement.

Service: A process or operation that fulfills a customer's need or demand through activities that interact with the customer or with the customer's facilities, equipment, or operations.

Service Design: Consciously designing the service to meet the needs of the customers at the lowest cost.

Shareholder Value: Total assets less total liabilities of the organization.

Six Sigma: A statistical term that indicates a defect level. One-sigma means 68% of products are acceptable; three-sigma means 99.75%; and six-sigma means 99.999997% perfect or 3.4 defects per million parts.

Sponsor: Advocate for the team who provides resources and helps define mission and scope to set limits.

Stakeholders: These include individuals and organizations that have an investment or interest (that is, a stake) in the success or actions taken by an organization. Stakeholders include customers, managers and employees, competitors, unions, stockholders, business partners, suppliers, legislators, the community, the nation, the media and so on.

Standard: A statement, specification, or quantity of material against which measured outputs from a process may be judged as acceptable or non-acceptable.

State of the Organization: A report that gives a snapshot of the organization in its current state. Usually it contains a section on the financial, quality, human resource, community, and competitive status. It is used to do a gap analysis so that the strategic plan is a basis in fact from which to operate.

Statistical Process Control (SPC): The use of statistical techniques, such as control charts, to analyze a work process or its outputs. The data can be used to identify deviations so that appropriate action can be taken to maintain a state of statistical control (predetermined upper and lower limits) and to improve the capability of the process. The term "statistical quality control" is often used interchangeably.

Strategic Plan: A document that defines an organization's objectives, goals, strategies, tactics, and measures for a prescribed period of time.

Strategic Planning: Strategic planning is the process of setting strategic directions and determining key action plans, and for translating plans into an effective performance management system. The process leads to establishment of general goals and objectives, including outcome-related goals and objectives, for the major functions and operations of the organization, and for establishment of annual performance goals linked to the general goals and objectives. It addresses: (1) how the goals and objectives are to be achieved, including operational processes, skills and technology, and human capital; (2) information and other resources required to meet those goals and objectives; (3) key factors external to the organization and beyond its control that could significantly affect the achievement of the general goals and objectives; and (4) how evaluations are used in establishing or revising goals and objectives. The term "Strategic Planning," as used in the Baldrige Criteria, is consistent with the requirements established by the Government Performance and Results Act.

Strategy: The method used to accomplish goals and objectives which support the organization's vision and mission.

Stretch Goals: A level of planned performance that is beyond the apparent limit of current process or organizational capabilities. Stretch goals are often used to shock or motivate individuals or organizations to look for new and better ways to do things.

Sub-processes: The internal processes that make up a process.

Suggestion Systems: A series of processes by which employees and external customers can make recommendations for organizational improvement without fear of reprisal.

Supplier: The provider of an input, such as goods, raw materials, services or information, to a process. A supplier may be internal or external to the organization.

Supplier Performance: Measures of supplier and partner-provided goods and services used by the organization to develop its final goods and services.

Supplier Quality Management: Managing the quality of the services or products of suppliers. Most high-performing SQS organizations both extend their SQS training so suppliers and have rigorous measurement systems in place to assess their performance.

Synergy: The mutual cooperation of two or more people, units, programs, etc., to produce a result that is greater than the sum of the individual inputs. Close relationships between an organization and its customers or suppliers can often be synergistic.

System: A collection of processes, procedures, people, machines, tools, materials, or techniques which is ordered in some pre-defined way to enable and ensure the accomplishment of a desired result. Systems should be appropriate for the work to be done, repeatable in terms of both activities and results, and formalized to the extent necessary to be effective. Systems typically have feedback loops and/or methods of self-evaluation which are used to make adjustments and improvements. Systems often have names and, when documented, are described as a complete entity.

Systematic: Refers to approaches that are repeatable and use data and information so that improvement and learning are possible. In other words, approaches are systematic if they build the opportunity for evaluation and learning, and thereby permit a gain in maturity. As organizational approaches mature, they become more systematic and reflect cycles of evaluation and learning.

Task: The basic work element of a process activity.

Teams: Groups of people that understand and agree on a common mission, establish and adhere to ground rules, distribute responsibility and authority fairly, and adapt to change in a positive way.

Top-Down Improvement: Improvements that emanate from the Policy Deployment or Strategic Planning process. Ideally, each customer needs and satisfaction is integrated into that process. Each department, unit or cross-functional team then sets goals that will help achieve the overall key quality objective.

Tracking and Monitoring Systems: Systems that monitor and report progress on implementing goals and objectives.

Trend: Refers to the direction of movement or a general inclination or tendency. An organization should track performance measures over time to show trends, so continuous improvements can be made. In interpreting trends, most statisticians look for 5-6 points in a row to ensure that the trend is not a function of random variation.

Validation: As pertaining to the design process, validation means to compare the product, service, or process being designed to the original customer or user requirements for the design, to ensure alignment and agreement. Validation can be accomplished a number of times during the design cycle to ensure that the design never loses sight of the original customer or user requirements.

Value: Value refers to the degree of worth relative to cost and relative to possible alternatives of a product, service, process, asset, or function. Organizations frequently use value considerations to determine the benefits of various options relative to their costs, such as the value of various product and service combinations to customers. Organizations seek to deliver value to all their stakeholders. This frequently requires balancing value for customers and other stakeholders, such as employees and the community.

Values (Organizational): The abstract concepts of what is appropriate, right, ethical, worthwhile, or desirable for the organization and its members. Organizational values are often referred to as principles or standards.

Valuing Diversity: Refers to the notion that a diverse work force represents a higher level of value than one which is homogeneous. The organization should, therefore, endeavor to attract, recruit, respect, and provide equal opportunities to a diverse work force and to all of its employees.

Variables: Controllable or uncontrollable factors that may affect policy, planning or program outcomes.

Variables, External: Factors not controlled through the policy or program that may have independent and significant effects on outcomes such as economic downturns, population shifts, technological advances, cultural differences or changes.

Variation: A change in data, a characteristic, or a function that is caused by one of four factors: special causes, common causes, tampering, or structural variation.

Vision: A statement that explains in measurable terms what the organization wants to become and what it hopes to achieve.

Work Climate: The working conditions and benefits which accrue to employees as a result of their employment in an organization.

Work Design: The structure of work units in terms of how employees are organized (or organize themselves) in formal and/or informal work units. This may include work teams, functional area teams, customer service teams, problem-solving teams, cross-functional teams, self-managed teams, self-directed work teams, continuous improvement teams, or others.

Work Environment: The physical and psychological conditions which surround and influence individuals in a work setting. Often includes issues of employee well-being, satisfaction, culture, and morale.

Work Unit: A group within an organizational unit responsible for a specific task or output.

World Class: A ranking among the best of all comparable products, services, or processes (not just those of direct competitors) in terms of critical performance or features as perceived by customers and industry experts. Also, having the capability to compete against any comparable process, competitor or organization anywhere in the world.

360 Degree Review: A performance review that includes feedback from superiors, peers, subordinates and clients.

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